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COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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October 20, 2005

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**DEPARTMENT OF HEALTH SERVICES REVISED ORDINANCE AUTHORITY TO REDUCE
ACCOUNT LIABILITIES FOR HEALTH SERVICES (All Districts) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve the revisions to the attached ordinance to grant authority to the Director of Health Services (Director) to reduce, on an account specific basis, the amount of any liability owed to the County which relates to medical care provided by third parties for which the County is contractually obligated to pay, and related to which the County has subrogation or reimbursement rights. In addition, approve revisions which would limit the Director's authority to compromise claims for outpatient services which are subject to a special, patient specific negotiated rate agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

In approving this action, the Board is authorizing the Director to compromise the amount of County's claim in situations where the County is exercising its subrogation or reimbursement rights related medical services provided by third parties such as trauma hospitals, non-County emergency physicians, or Community Health Plan network physicians, where the County has paid the provider of care. Any such compromise is subject to the same limits established in the current ordinance, including the requirement

that reductions exceeding certain thresholds require Board approval. In addition, it would extend the current limitation on the Director's authority to compromise claims to outpatient services which are subject to a special patient specific, single use contract under the Fast Track program.

To implement various health care programs, the Department of Health Services (DHS) enters into agreements with non-County providers to pay for health care services provided to certain specified populations, such as trauma victims, indigent patients of private emergency rooms, In-Home Supportive Services workers, or other enrollees of the Community Health Plan. These or other agreements may give DHS the right to pursue payment from other responsible parties for the care for which the County has paid. In some cases, compromising these claims against the responsible parties facilitates the collection of debt. However, the Director does not presently have any authority to compromise the County's claims against these responsible parties. Instead, DHS works with the Treasurer and Tax Collector (TTC) to approve these compromises. Providing the Director with compromise authority will streamline this process and make it consistent with the way DHS handles the compromise of account liability arising from the provision of medical services at County facilities.

Currently, the ordinance limits the Director's ability to compromise a claim for inpatient services which were the subject of a Fast Track agreement. The proposed revision would expand the limitation on the Director's ability to compromise outpatient claims which are the subject of a Fast Track agreement as well.

Implementation of Strategic Plan Goals:

The recommended ordinance revision will satisfy the County Strategic Plan's Goal #4, Fiscal Responsibility. It is also consistent with the Los Angeles County Citizen's Economy and Efficiency Commission recommendations to improve and maximize collections.

FISCAL IMPACT/FINANCING:

With the approval of this ordinance revision, DHS will be able to streamline the administrative processes of approving compromises, thus expediting collections and increasing interest revenue.

DHS will be able to exercise the authority granted in this ordinance revision within its existing budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Under the current ordinance approved by the Board on January 8, 2002, DHS has authority to reduce only accounts which result from the provision of medical care at county facilities. TTC has the authority to compromise other debts owed to the County, including those liabilities which arise from subrogation or reimbursement rights related to situations where

the County acts as the payer for medical care. The proposed revision to the ordinance will allow DHS to reduce the County's claims against responsible parties which arise when the County is the payer for health care services, using substantially the same procedure as now applies when the health care services are provided in a County facility. The Director's expanded authority, like his present authority, would, however, only apply to cases where the reduction is no more than the greater of (a) \$15,000, or (b) 50% of the account balance up to a maximum of \$75,000.

DHS's Fast Track Admission and Visit Policy allows DHS to negotiate special rates for care on a patient specific basis with individuals or their insurers. Initially, the Fast Track program was limited to inpatient services. However, on August 13, 2002 the Board approved revisions to DHS' Fast Track Admission and Visit Policy to extend it to outpatient services. The proposed revision extends the current restriction on the Director's ability to compromise inpatient claims under the Fast Track program to outpatient claims that are subject to a Fast Track agreement.

CONTRACTING PROCESS:

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The approval of this ordinance revision is desirable to facilitate DHS' efforts to maximize revenue.

When approved, DHS requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:lg (LMARTINEZ\COMPROM....\REVISION2005\ORDBRDLTR)


Attachment

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller
Treasurer and Tax Collector

ANALYSIS

This ordinance amends Title 2 - Administration, to extend the authority of the Director of Health Services to reduce patient account liabilities in cases where the County has a contractual obligation to pay for the care but also has reimbursement or subrogation rights when necessary to maximize the Department of Health Services net collections. It also extends the current restrictions on the Director's authority to situations where the outpatient services were the subject of special outpatient care agreements.

RAYMOND G. FORTNER, JR.
County Counsel

By 
ANITA D. LEE
Principal Deputy County Counsel
Health Services Division

ADL: vn

09/27/05 Requested
09/29/05 Revised

ORDINANCE NO. _____

An ordinance amending Title 2 - Administration of the Los Angeles County Code to authorize Director of Health Services to reduce patient account liabilities when necessary to maximize the Department of Health Services net collections.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Section 2.76.046 is hereby amended to read as follows:

2.76.046 Director -- Reducing patient account liabilities.

A. Notwithstanding the provisions of Section 2.52.040 relating to the duties of the treasurer, and subject to the limitations and exceptions set forth in subparagraphs B and E below, the director of the department of health services shall have the authority to reduce the amount of liability for the following accounts, ~~any account which results from the provision of medical care in county medical and health facilities~~, where the anticipated cost of administering a collection procedure would exceed the amount of revenue which might reasonably be anticipated would be recovered.:

(i) Any account which results from the provision of medical care in county medical and health facilities; or,

(ii) Any account which results from medical care provided by a third party for which the county is contractually obligated to pay and for which the county has reimbursement or subrogation rights.

The authority set forth in this provision shall be exercised only on the condition that the director undertakes appropriate collection efforts as to the accounts specified above and on the further condition that those collection efforts are undertaken in accordance with written policies and procedures;

B. The director may reduce the amount of liability for any account by the greater of:

- (i) \$15,000; or
- (ii) \$75,000 or 50% of the account balance, whichever is less;

C. The director shall report to the board of supervisors, in writing and on a quarterly basis, the amount of liability reduced for each account for that quarter and the reason(s) for such reduction for each account;

D. In his discretion, the director shall have the authority to permit the treasurer to exercise all or any part of the authority set forth in this Section 2.76.046 when the director believes such action to be in the best interests of the department of health services;

E. The authority granted in this provision shall not extend to any account which is the subject of litigation in which the county is a party or for which a claim has been filed with the county pursuant to the California Tort Claims Act, nor shall it apply where the director or his designee has negotiated patient-specific payment rates for inpatient and/or outpatient services and entered into single-instance, per-admission and/or per course of outpatient care agreements with private payors for the provision of medical care in county medical and health facilities.